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SUBJECT: Chinese Think-tank Addresses Challenges to
Sustainable Development

¶1. (U) Summary: Officials at the Central Government's premier foreign affairs research and policy institution stressed the importance of sustainable human-based development at a meeting on June 6. A comprehensive approach, which takes into account social, environmental, and resources costs, is necessary to build a harmonious society, they said, which is necessary not only to ensure domestic stability, but also to demonstrate to the region and globe China's desire for peaceful development. In addition to concerns about internal stability, researchers at the institute also focused on recent economic growth trends and overcapacity, as well as China's view on energy security. End Summary.

¶2. (U) Tao Jian, Vice President of the China Institutes of Contemporary International Relations (CICIR) and a senior advisor to the Chinese leadership on sustainable development, briefed Embassy-sponsored visitors from the Defense Orientation Conference Association (DOCA) on China's sustainable development goals on June 6. During the briefing (also attended by Econoffs), Tao and CICIR officials gave their take on the 11th Five-Year Plan, economic development, and energy policy.

CICIR on China's Efforts to Build A Harmonious Society

¶3. (U) Reiterating already promulgated policy, Tao stated that China's economic development priorities are to develop western China, to rebuild China's northeastern "rust belt," and to promote development in rural areas. Tao added that developed coastal areas will continue to play a leading role in paving the way for spreading their economic development to these areas. Specifically, Tao said, the developed areas will have responsibility for helping develop neighboring provinces. Overall, Tao continued, the Central Government's goal is to strike a balance between: a market-driven and centrally-planned economy, local and Central Government control, and social and economic development. China's number one goal, he said, is to improve the overall standing of Chinese citizens. CICIR's view is that economic progress is essential for two main reasons: to promote a harmonious society and strengthen national security.

¶4. (U) Concentrating on economic development by prioritizing human-based development is indispensable to forming a harmonious society and maintaining internal

stability, CICIR officials said. Without strong economic development, CICIR argues, China is more vulnerable to internal and external threats and will not be able defend its national security interests. To illustrate recent economic success, CICIR pointed to recent predictions of China's gross domestic product (GDP) reaching USD 3 trillion by 2010.

¶15. (U) Balancing social progress and economic development within China's borders is one of the main reasons for highlighting a harmonious society, CICIR officials said, because if China does not achieve at least 7-8 percent growth annually, then the economy will not be able to provide for the 8-10 million jobs that are needed each year. According to one researcher, the number of registered urban unemployed in China has reached approximately 24 million. The same researcher noted that China must also deal with an aging population, and pointed out that 10 percent of China's population (134 million) is over the age of 60. Furthermore, China's social welfare safety net is deficient, with less than 10 percent of the population receiving social welfare benefits according to CICIR statistics. In a similar vein, the researcher expressed concern about China's growing rich-poor wealth gap, an increasingly sensitive issue. (Note: Recent media reports state that China's Gini coefficient has reached 0.46, one of the worst income distribution ratios in the world. End note.)

CICIR on China's "Overheating" Economy

¶16. (U) CICIR officials disputed claims by international experts that China's economy is "overheating," and attributed unexpectedly high first quarter 2006 GDP growth (which reached 10.2 percent according to the National

BEIJING 00013919 002 OF 002

Bureau of Statistics) to a surge in investment during the last quarter of 2005. High growth in the first quarter of 2006 also was due to increases in consumer spending, technological improvements, increases in export volume, and rises in living standards, they said. In addition, CICIR officials hope that the New Socialist Countryside program, officially approved as a part of the 11th Five-Year Plan during the March 2006 session of the National People's Congress, will boost consumption in rural areas and stabilize the economy in the long-term, enhancing China's ability to achieve economic development, improving stability, and raising the overall quality of life in rural areas.

¶17. (U) CICIR officials noted three potential challenges regarding economic growth in the near future: 1) internal and external uncertainties; 2) "overcapacity" in industries such as steel; and 3) China's shortage of electricity resulting from an increased demand for energy sources. CICIR officials gave as examples of internal uncertainties limited natural resources and industrial accidents such as coal mine disasters, and as examples of external uncertainties trade friction with major trading partners and the rising cost of crude oil.

CICIR on China's Energy Security and Strategy

¶18. (U) China's energy strategy, according to the CICIR officials, aims to diversify energy sources, rely more on domestic energy sources, and concentrate on coal and oil as the main sources of energy. Energy security is a priority in the Eleventh Five-Year Plan, CICIR officials noted.

¶19. (U) In terms of industrially-consumed energy, it is vital to improve efficiency in the use of natural resources, CICIR officials asserted. To address this problem, CICIR officials believe that industrial-sector businesses need more specific guidance from the Central Government. Also,

CICIR officials stressed the importance of reducing energy consumption by 20 percent per unit of output, which they believe is possible to achieve in the next five years.

¶10. (U) CICIR officials stated several potential challenges in terms of securing domestic sources of energy: 1) diversifying energy resources; 2) environmental protection and cooperation with international counterparts; and 3) opening energy companies up to private sector investment.

¶11. (SBU) Comment: CICIR's official comments reinforce and support the official party line. Building a harmonious society, strengthening the economy, and securing a sound energy strategy are three essential areas of concentration for Chinese officials. Overall, CICIR officials noted three major challenges that China will have to confront in the near future: 1) finding a solution to the impact economic growth is having on the environment, 2) striking a balance between economic and social progress, and 3) mitigating external risks and challenges to China's progress. However, given the historically strong emphasis on GDP growth over other areas such as labor rights, environmental considerations, and social progress, these goals will not be easy to achieve, especially in the short term. End Comment.

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